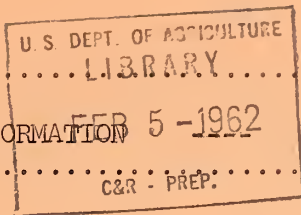


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CSS BACKGROUND INFORMATION

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CSS WOOL AND MOHAIR PROGRAMS

The wool program administered by the Commodity Stabilization Service is an incentive program to increase production. It is authorized by the National Wool Act of 1954, which directs that domestic wool production at a yearly level of 300 million pounds shall be encouraged "as a measure for our national security and in promotion of the general welfare."

The Act also provides price support for mohair at a level related to the incentive price for wool.

Shorn Wool Incentive Program

The wool program is carried out through annual incentive payments to domestic producers. These payments are based on the percentage increase over the national average price received by producers for wool that will bring this average price up to a national average incentive level. Using a percentage method to set the rate of payment rather than making a uniform flat payment per pound of wool sold encourages producers to do a good job of marketing their wool, and takes into account the relative value of the various grades of wool.

An example will show how this incentive works out: For the 1959 marketing year (April 1, 1959 through March 31, 1960) the incentive level was 62 cents per pound of shorn wool sold, and the national average price received by producers for their wool was 43.3 cents a pound. If a uniform flat payment of the difference had been made, this would have given each producer an additional 18.7 cents a pound over his sales returns. By using the percentage method of payment, however, -- that is, by converting the 18.7 cents into a percentage of the 43.3 cents, and making this the basis of payment -- each producer who qualified for payment on wool sales during the 1959 marketing year got an incentive payment on the wool he sold that was equal to 43.2 percent of his individual sales returns. Thus the more he got for his wool the bigger was the incentive payment he received.

If he sold his wool at the national average price, his payment was 18.7 cents a pound, the same as the difference between the national average sales price of 43.3 cents and the average incentive price of 62 cents, but if he sold for more than the national average he got more than this. A sales return of 50 cents a pound, for instance, brought him a payment of 21.6 cents, giving him a total return of 71.6 cents a pound, nearly 10 cents above the incentive price.

Conversely, if he sold for less than the national average sales price he got less than the average payment. A sales return of only 25 cents a pound brought his incentive payment down to 10.8 cents and gave him a total return of only 35.8 cents a pound, more than 26 cents below the 62-cent incentive price.

During each of the 7 years of the program -- from the 1955 marketing year through the 1961 marketing year (already announced) -- the incentive level has been set at 62 cents. In setting this level, the Secretary of Agriculture is required by law to take into consideration prices paid by producers and other cost factors affecting sheep production. He is guided also by the amounts remaining from the funds available for the program, which are limited to an amount equal to 70 percent of the duties collected on imports of wool and wool manufactures since January 1, 1953.

To qualify for the incentive payment for the current (1960) marketing year, shorn wool must be marketed during the April 1, 1960 - March 31, 1961 period. Even though market prices will differ greatly among the wide range of grades and classes of wool, each producer is encouraged by the percentage incentive payment to get the best possible price for his quality of wool. Applications for payment must be filed not later than April 30, 1961 with the county Agricultural Stabilization and Conservation (ASC) Offices, which administer the program at the producer level. The payments will be made in the summer of 1961 after the average price received by producers for their wool has been determined for the 1960 marketing year.

Unshorn Lamb Payments

To discourage unusual shearing of lambs (before marketing) to get a wool payment, payments are also made on the wool of unshorn lambs. The payment is made on the basis of the liveweight of marketings of lambs that have never been shorn, whether marketed for slaughter, feeding, or flock

replacement, and is designed to prevent disruption of the widely followed practice of selling lambs unshorn. The marketing year and the final date for filing application for payment are the same as for the shorn wool program.

The rate of unshorn lamb payment is set in relation to the wool incentive payment. For the 1959 marketing year, it was 75 cents per hundred-weight of live animals sold. This payment reflects the average weight of wool per 100 pounds of lamb, the value of lamb wool in relation to shorn wool, and the average shorn wool incentive payment per pound.

Any grower who owns lambs for more than 30 days and sells them unshorn is eligible for a payment, which is based on the weight or weight increase of the animals during his ownership. The payment is adjusted downward by the amount of any payment or payments made to previous owners. In this way the original producer and the later breeder-owner or feeder-owner share in the payment. Similarly, the payment to an owner who sells unshorn lambs for slaughter is adjusted downward by the sum of any amounts due previous owners.

If a lamb feeder shears lambs, sells the wool, and applies for a shorn wool payment, the amount of any lamb payment due previous owners is deducted from the feeder's shorn wool payment.

Mohair Support Program

The National Wool Act of 1954 provides for a mohair price support level that can be as much as 15 percent above or below the comparable percent of parity represented by the wool incentive level. Mohair's 70-cents-per-pound support price for the 1960 marketing year and the 73-cents-per-pound support price announced for the 1961 marketing year are near the bottom of the permissible ranges for the respective years.

No mohair price support payments were made during the first five years of the program because the average prices received by producers were above the announced support level.

The determination as to whether mohair payments will be required on 1960 marketings will not be made until the early summer of 1961, when the average mohair price received by farmers for their 1960 marketing will be known.

Wool Production Moves Toward Goal

After several years of decline, shorn wool production has started to move upward. The gap between yearly wool production and the 300-million-pound goal set by law continues to narrow. Production in 1960 is expected to reach 265 million pounds, up about 4 percent from 1959 and the highest year's production since 1946. Production at this level in 1960 would be about 12 percent above production in 1954, the year before the program started.

Severe drought in many major sheep-producing areas during the early years of the program held production back. Improved range and forage conditions in 1957, after a prolonged period of drought in Texas and other important producing areas, permitted the incentive program to operate without handicap for the first time. Stock sheep numbers on January 1, 1958 were 3 percent larger than on the same date a year earlier and the largest since 1953. Numbers were up again on January 1, 1959, and on January 1, 1960 they were the largest since 1948.

No Government Wool Holdings

When the incentive program began in 1955, stocks of wool acquired under the previous price-support loan programs totaled about 150 million pounds. These stocks were sold, mostly through competitive bid sales, over a two-year period to prevent an undue effect on the domestic wool market. Under the incentive program, no wool is acquired by the government because all domestic production is permitted to flow into consumption and payments are used to maintain producer returns.

Self-Help Promotion and Advertising Program

A "self-help" program for advertising, promotion, and related market development activities on wool and lamb is authorized, if approved by producers, by Section 708 of the National Wool Act of 1954. This "self-help" program is carried out by the American Sheep Producers Council, Inc., which was established for that purpose and is representative of wool producers throughout the nation.

In two referenda, in 1955 for a period of 4 years and in 1959 for a period of 3 years, producers approved deductions from their payments to provide funds for the program. Deductions of 1 cent per pound from shorn wool payments and 5 cents per 100 pounds of liveweight from lamb payments are made. The Council has separate promotion programs for lamb and wool. Wool promotion is on a national basis. Lamb promotional activities are concentrated in major markets. The activities for both include advertising to create consumer interest; promotion and merchandising work to urge cooperation by packers, processors, manufacturers and retailers; and an educational program for retailers and consumers (including schools and colleges) through use of booklets, educational films, and other aids.

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